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AICPA *Washington Report*

February 28, 1977, Volume VI, Issue 1

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FEDERAL POWER COMMISSION

An amendment to the order on accounting and rate treatment of advances included in Account No. 166, Advances for Gas Exploration, Development and Production was published in the 2/23/77 Fed. Reg., pp. 10723-24. The amendment provides that the amount of revenues resulting from a working interest to be credited to the cost of service shall not exceed (1) the total amount of carrying charges charged to the pipeline ratepayers as a result of the advance payment having been included in the pipeline rate base, together with (2) annual interest on such carrying charges at the rate established by Order No. 513-A, or as subsequently revised.

FEDERAL RESERVE BOARD

Legislation to create a single Federal Bank Commission has been reintroduced by Sen. Proxmire (D-Wisc). The bill (S.684) is substantially similar to last year's S.2298 and would combine the FRB, FDIC, and Office of the Comptroller of the Currency into a single agency.

A similar, but less sweeping proposal, has been offered by Sen. Stevenson (D-Ill) as S.711. His proposal is to establish a Federal Bank Examination Council which would oversee the operations of each of the bank regulators.

A policy statement on divestitures required of bank holding companies has been released. The statement is designed to address a number of difficult issues concerning the timing of divestitures required either by law or Board order. Companies covered by the 1970 amendments to the Bank Holding Company Act have until 12/31/80 to divest holdings that are not closely related to banking as defined by the Board, or to divest their banking interests. This provision does not apply to holdings that are grandfathered under the Act.

In its statement, which was sent to all bank holding companies on 2/15/77, the Board urged holding companies to take early steps to carry out divestiture orders, and suggested early submission of a divestiture plan and periodic progress reports.

FEDERAL TRADE COMMISSION

Michael Pertschuk has reportedly been selected by President Carter to be Chairman of the FTC. Mr. Pertschuk's official nomination is expected to be announced within the next few weeks following completion of an FBI background investigation. Mr. Pertschuk has been on the staff of the Senate Commerce Committee for the last 12 years, and has served as its chief counsel since 1968.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The Annual Report for the Food and Drug Administration for FY1975 has been released. The report covers FDA activities during calendar year 1975 and presents an overview of FDA activities, an analysis of the 9 major program areas within FDA, an analysis of other Department-wide activities, and 1975 statistical summaries. Copies are available by calling 202/443-3934.

An Illustrated Accounting Practice Set for Federally-Funded Health Centers has been released by the Health Services Administration. The purpose of the practice set is to illustrate how typical financial transactions which take place in such health centers would be handled using the "Bureau of Community Health

Services' Accounting Manual". As such, the practice set should be used in conjunction with the accounting manual. For copies of the practice set, call 202/443-1160.

A "Budget Issue Paper on Long-Term Care for the Elderly and Disabled" has been prepared by the Congressional Budget Office (CBO). The paper examines the extent of need for long-term care, the degree to which the demand for services is met by current public programs, and some alternative means of satisfying demand and organizing services. Recognizing that long-term care is the major cause of catastrophic expenses among the elderly, the CBO prepared this report as Congress begins consideration of various national health insurance options. Copies of the report are available from the GPO for \$1.60 each.

A summary of subjects being discussed by the Consulting Group on Welfare Reform was published in the 2/18/77 Fed. Reg., pp. 10070-71. The subjects include an overview of the income security system; purposes and goals of the income security system; what we know about the low income population; a critical analysis of the welfare system; and general approaches to welfare reform. Copies of issue papers on these 5 subjects may be obtained by calling Bob Heim at 202/245-6286.

SECURITIES AND EXCHANGE COMMISSION

The Advisory Committee on Corporate Disclosure will hold a public meeting on 4/14 and 4/15/77 at 500 N. Capitol St., Washington, D.C. in Room 776. The agenda for the meeting will include a discussion of recommendations with respect to the contents of disclosure documents, and a discussion of recommendations with respect to the dissemination of information in disclosure documents.

A proposal to adopt a new optional short form for registration under the 1933 Securities Act of securities to be issued in reclassifications and certain business combination transactions was announced in Rel. No. 33-5806 (see 2/24/77 Fed. Reg., p. 10855). The new form is proposed in lieu of the proposed Form S-14A announced last September in Rel. No. 33-5744, due to the large number of comments objecting to the differential disclosure approach embodied in Form S-14A. The Commission now proposes to develop a new registration form consisting of an abbreviated prospectus which incorporates by reference substantial information already on file with the SEC. Comments are to be filed by 4/18/77, referencing File No. S7-655.

TREASURY, DEPARTMENT OF

The Advisory Committee on Federal Consolidated Financial Statements will meet 3/8/77 at 9:30 a.m. in Room 4121 of the Department of Treasury, 15th and Pennsylvania Avenue, NW, Washington. The agenda for this 4th meeting of the group will include alternative formats for the next prototype financial statements and other supplemental matters of concern to the Committee. Individuals wishing to attend should contact Mr. Michael Smokovich no later than 3/7/77 at 202/566-8374.

Legislation has been reintroduced by Rep. Crane (D-Ill) to require the Treasury Department to publish a consolidated financial statement for the U.S. government based on accrual accounting procedures. The bill (HR 2408) is identical to a measure Mr. Crane sponsored last year and already has attracted approximately 100 co-sponsors.

The form to be used by taxpayers required to file an international boycott report is expected to be available before May 15. The form (Form 5713, International Boycott Report) must be submitted to the IRS Center in Philadelphia, and also attached to the taxpayer's income tax return filed with the taxpayer's customary IRS Center. Since the first returns affected by the boycott provisions were due 2/15/77, those taxpayers who must meet the February, March or April deadlines may use the normal procedures for obtaining a delay with respect to filing Form 5713. Alternatively, returns may be filed without the form, but both copies of Form 5713 must be filed no later than 6/15/77.

Standard paragraphs to assist employee benefit plan applicants to conform with the requirements of ERISA have been released by the IRS. In Information Release 1757, the IRS stated that the purpose of the paragraphs is to provide general guidance for plan applicants. The use of the standard paragraphs is not mandatory and, in fact, will not assure qualification of the plan. The paragraphs are divided into general qualification provisions, participation standards, vesting standards, and definitions. For a copy of IR 1757, call 202/566-4054.

Legislation to provide a refundable tax credit for some insulation expenses has been introduced as part of an energy-saving incentive package. The bill (S.675), introduced by Sen. Bentsen (D-Tex), will provide a credit equal to 30% of the first \$750 of eligible insulation expenses for a maximum credit of \$225, effective through 1979. For insulation installed in business properties, the bill would make available until 1982 a 10% investment tax credit. A 20% investment credit would be provided for the cost of solar and geothermal equipment.

The effective date of the IRS ruling dealing with commuting expenses has been further extended to July 1. Rev. Rule 76-453, announced last December, made the expense of going directly from the taxpayer's home to a client's office a nondeductible commuting expense. Implementation of the ruling previously had been postponed from 12/31/76 to 4/1/77, and the latest delay was announced to give employers more time to adjust their payroll systems, according to the IRS.

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